

Finance and Administration

Revenue

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	62,860,700	72,525,200	80,202,000	63,986,000	64,898,400
Salary Compensation Fund	1,759,300				
Base Deduction	-3,184,100				
Total General Fund	61,435,900	72,525,200	80,202,000	63,986,000	64,898,400
Tobacco Settlement-Phase I					
Tobacco Settlement - I	175,000	175,000	175,000	175,000	175,000
Budget Reduction	-11,900				
Total Tobacco Settlement-Phase I	163,100	175,000	175,000	175,000	175,000
Restricted Funds					
Balance Forward	2,962,500	2,103,600	1,055,300	1,160,800	1,027,700
Current Receipts	3,716,200	4,248,400	4,248,400	4,248,400	4,248,400
Fund Transfers	-1,000,000				
Total Restricted Funds	5,678,700	6,352,000	5,303,700	5,409,200	5,276,100
Road Fund					
Regular Appropriation	1,418,000	1,418,000	1,418,000	1,418,000	1,418,000
Total Road Fund	1,418,000	1,418,000	1,418,000	1,418,000	1,418,000
TOTAL SOURCE OF FUNDS	68,695,700	80,470,200	87,098,700	70,988,200	71,767,500
EXPENDITURES BY CLASS					
Personnel Cost	43,364,600	54,718,700	58,013,200	45,388,700	46,308,900
Operating Expenses	24,170,300	24,696,200	24,685,500	24,571,800	24,561,100
Debt Service			4,400,000		
TOTAL EXPENDITURES	67,534,900	79,414,900	87,098,700	69,960,500	70,870,000
EXPENDITURES BY FUND SOURCE					
General Fund	61,435,900	72,525,200	80,202,000	63,986,000	64,898,400
Tobacco Settlement-Phase I	163,100	175,000	175,000	175,000	175,000
Restricted Funds	4,517,900	5,296,700	5,303,700	4,381,500	4,378,600
Road Fund	1,418,000	1,418,000	1,418,000	1,418,000	1,418,000
TOTAL EXPENDITURES	67,534,900	79,414,900	87,098,700	69,960,500	70,870,000
EXPENDITURES BY UNIT					
Commissioner's Office	22,690,400	23,330,700	28,059,800	22,678,000	22,704,300
Property Valuation	5,347,400	6,520,700	6,864,800	5,497,700	5,595,100
Field Operations	11,678,600	14,112,900	14,876,700	12,019,400	12,240,500
Income Taxation	5,110,700	6,792,500	7,182,800	5,650,900	5,767,100
Sales and Excise Taxes	5,263,400	6,380,300	6,651,100	5,395,500	5,473,000
Processing and Enforcement	17,444,400	22,277,800	23,463,500	18,719,000	19,090,000
TOTAL EXPENDITURES	67,534,900	79,414,900	87,098,700	69,960,500	70,870,000

The Department of Revenue is responsible for the thorough and equitable administration of all state revenue laws, and for the assessment and collection of 47 separate state taxes. The Department aims to ensure the taxpayer's voluntary compliance

with the revenue laws, to enforce such laws in those instances where necessary, and to supervise and assist county property valuation administrators in their implementation of the property tax laws.

The Commissioner's Office includes the Division of Legislative Services, the Division of Special Investigations, and the Office of the Taxpayer Ombudsman. Department-wide costs such as office rent, printing, postage, and information technology are budgeted in this unit.

The Office of Property Valuation monitors and evaluates the real property assessments produced by the 120 locally-elected Property Valuation Administrators (PVA). The division is charged with assessing the property of public service companies; collecting and distributing personal property taxes; and providing education, training, and technical support to the PVA's and sheriffs.

The Office of Field Operations has 10 regional taxpayer service centers located across the state and is responsible for field audits and providing taxpayer assistance.

The Office of Income Taxation administers individual and business income taxes, including employer withholding. The Office is responsible for technical tax research, compliance, taxpayer assistance, tax-specific training, and publications.

The Office of Sales and Excise Taxes administers sales and use taxes and miscellaneous excise taxes. The Office conducts technical tax research and is responsible for compliance, taxpayer assistance, training and publications.

The Office of Processing and Enforcement receives all tax receipts, returns, refunds, documents and correspondence; registers new businesses; and maintains appropriate storage, retrieval and management of tax records for the Commonwealth.

The 2005 General Assembly enacted HB 272, a comprehensive effort to modernize Kentucky's tax structure. Dozens of separate taxes, incentives, deductions, and credits were enacted, repealed or amended. Passage of the bill drastically increased the workload for the Department of Revenue. Nearly every computer system within the Department must be modified to give effect to the changes. New returns, schedules, instructions, administrative regulations and training materials for both tax practitioners and Department employees are required. Fortunately the provisions of the bill have staggered effective dates, allowing the Department to work with the Commonwealth Office of Technology to make the necessary program changes.

An additional system change took effect July 1, 2005 as a result of HB 163, enacted by the 2004 General Assembly. The bill required the Department of Revenue to begin collecting the utility gross receipts tax levied by the local school districts under KRS 160.613. The Department receives payments from utilities, including providers of cable television service, and distributes the funds to the school districts on a monthly basis. The Department is permitted to retain up to 1% of the receipts, not to exceed the actual cost of collections.

Policy

On October 16, 2005, by order of the Secretary, employees throughout the Finance and Administration Cabinet switched from a standard workweek of 37.5 hours to a 40-hour week.